August 8, 2011

Natalie Andrews
Renewable Energy Project Coordinator
MA Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: Solar ACP Rate Schedule

Dear Ms. Andrews:

SunEdison strongly supports the determination by the Massachusetts Department of Energy Resources (MADOER) to amend its rules governing the establishment of the Solar Carve-Out Alternative Compliance Payment (SACP) schedule pursuant to 225 CMR 14.00. As described in the notice, the current process of setting the SACP on a rolling year-to-year basis, with the potential for as much as a 10% annual reduction, creates an inherent regulatory risk and uncertainty surrounding future SREC ceiling prices. This in turn deters market participants from entering into long-term SREC agreements, with several undesirable consequences:

- The absence of long-term SREC contracting limits the availability of low-cost financing. Financial institutions will heavily discount future un-contracted SREC revenues, requiring projects to demonstrate economic viability over a period much shorter than their Opt-in Term and driving up SREC prices in the immediate term.

- The absence of long-term SREC contracting promotes an unhealthy reliance on the higher-priced and more speculative spot market, resulting in compliance costs that are higher than necessary.

- The dearth of debt financing means that projects are not getting built in the numbers necessary to meet the Solar Carve-Out annual targets, providing suppliers no recourse but to pay the SACP to meet their compliance obligations.

- The inability to secure debt requires greater balance sheet financing. However, few companies in the solar industry have the capacity to do this, leading to greater market concentration.

SunEdison believes a proposed 10-year rolling SACP schedule provides critical price guidance, stability and transparency to market participants. This enables suppliers to quantify the "hedge value" of locking in a portion of their SREC portfolios today, rather than run the risk that the market will reflect scarcity conditions in the future.[1] Moreover, we endorse DOER's proposal to provide stakeholders with the opportunity to review and comment on the proposed level before it is finalized.

[1] Although SunEdison supports the proposed regulation as a necessary step to improve the efficiency of the Massachusetts SREC market, we continue to believe that this modification alone will be insufficient to stimulate the necessary level of long-term SREC contracting given the variable nature of competitive suppliers' load obligations and SREC portfolio management practices. Separate and apart from establishment of a 10-year SACP, the DOER and DPU should jointly pursue other policy changes, such as removing restrictions on the EDC's ability to engage in long-term SREC procurement and/or play a more active role in SREC securitization.

Further, SunEdison generally supports the DOER straw proposal with the following caveats:

- The DOER should signal that it will undertake a review the schedule from 2017 forward to consider the status of the 30% federal Investment Tax Credit. The potential for reversion to a 10% federal tax credit is both material and reasonably anticipated today; the DOER should put market participants on notice that the effect of this change will be considered at the appropriate time, with the potential for a compensating upward adjustment as necessary.

- SunEdison agrees with the approach taken by the DOER to base the 10-year SACP schedule on long-term systemic cost reductions rather than simply on the more dramatic declines seen over the last few years. As can be seen from the table below, short-term changes have been quite variable with some periods of solar cost increases and other periods of decline. Further, although the national cost trends cited by the DOER notice (3.6% CAGR) are indicative of localized costs, adequate Massachusetts-specific data exists to support a more narrowly tailored SACP.

  The Open PV Project[2], a comprehensive database of PV installation data for the United States administered by the National Renewable Energy Laboratory (NREL), has collected cost data for 2,094 Massachusetts-based projects. These data cover the full lifecycle of the Massachusetts program from 2001 through early 2011 and can be found at http://openpv.nrel.gov/visualization/index. These data show annual *increases* in solar costs of up to 8.2% to *declines* of as much as 16.6%. Overall, the data reveal an average annual decline of 4.8% - slightly below DOER's recommended 5% annual rate of decline.

Installation Year	Avg. installed cost ($/watt)	Annual cost decline* (Percentage)
2003	9.75	
2004	9.32	4.41
2005	9.54	-2.36
2006	10.32	-8.18
2007	10.02	2.91
2008	9.11	9.08
2009	8.25	9.44
2010	6.88	16.61

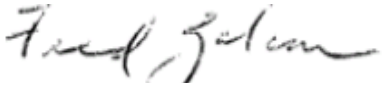
* = Positive numbers reflect annual percentage reductions

SunEdison therefore suggests the DOER adopt an annual rate of decline in the range of 3.6 - 4.8%. This represents a reasonable bound of historic installed cost experience at the national and state levels, and are as sound a basis as any to forecast future trends.

[2] As explained by NREL, "The project is compiling a database of PV installations for the US. This database will be used to provide a web-based resource for users to easily explore and understand the current and past trends of the US PV industry." < http://openpv.nrel.gov/about>

Thank you for considering these comments. We look forward to working with DOER in the upcoming rulemaking to establish a ten-year SACP schedule.

Sincerely,



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